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ASHOT KHURSHUDYAN

# Improvement of Public Policy Making Process in Armenia: Case on Rationalization Process in the Education Sector

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# ***Improvement of Public Policy Making Process in Armenia***

## **Case on Rationalization Process in the Education Sector in Armenia**

### **Introduction**

Interestingly the official process of rationalization in the secondary education was reportedly renamed into optimization process. The latter is a process when something becomes as effective as possible while rationalization is applying for a desired result or increased efficiency<sup>1</sup>. Is this the case when optimal solutions are beyond rational limits? The process of bringing up secondary education in line with international standards started about 5 years ago when in 1998 the Government decided to start a pilot program and the program was already highlighting the need of rationalization. Rationalization in the education is not a new phenomenon but made the news only after September 1, 2003 when several thousand teachers were laid off. It was not unexpected event and the rationalization process was also fixed in the Law on Approving 2001-2005 Program for Education Development of the RA passed on June 26 2001.

The roots of the rationalization process lie far beyond September 1, 2003. However the urgency and strategy in this direction will become of utmost importance in the nearest future. The Rubicon was passed alas when Armenia started reforms towards free market oriented economy and the education rationalization process is going to be a litmus test for the all future reforms in Armenia.

### **Background**

#### **The Government Activity Program**

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<sup>1</sup> See Merriem – Webster dictionary, Internet edition, “Rationalize” and “Optimization”.

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by Dr. Ashot Khurshudyan

2003 International Policy  
Fellow at the Center for  
Policy Studies and the Open  
Society Institute, Budapest

#### **International Center for Human Development**

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The Government activity Program approved by the National Assembly on June 20, 2003 raises two main issues in the secondary education sector:

- i) the low efficiency of staff and resources in the sector as well as teach-loads and salary level; and
- ii) the low level of public financing.

Giving a special consideration status to the secondary education sector the Government added to their task lists many measurements of which the following are more relevant to the rationalization process:

- a) Gradual increase in the teacher's salary level for every year;
- b) Step-by-step optimization of the secondary education system and granting higher independence level to the schools,
- c) Raising the efficiency of the public funds appropriated to the secondary education;

#### **The Poverty Reduction Strategy Paper (PRSP)**

Whilst the Government activity program doesn't specifically mention the need and importance of the quality of education the PRSP makes such introduction and highlights "the priority of secondary education sector's future development in terms of increasing the quality of provided services and efficiency<sup>2</sup>".

However the PRSP also doesn't make clear the links between the desired higher level education quality and needed actions. It gives only the indirect relation between the level of expenses and the quality of education. From this standpoint the paper outlines targeted increase of teachers' salaries, non-teacher's salaries, material and educational-methodical resources, trainings. Also it is targeting to continue the policy of giving primary level textbooks free of charge, to construct and repair heat systems, etc. All this to say that it seems there is a gap between the mission of secondary education and taken/targeted measures. The measures are of problem fixing nature while fixes may backfire if the causes are not cured.

To raise the efficiency in the secondary education sector several indicators were targeted which basically shape the rationalization process. These are pupil/teacher ratio, teaching loads, pupil/non-teacher ratio, the density of the classes, and the definition of the optimal number of pupils in schools. These indicators will be discussed below.

### 2004-2006 Medium Term Expenditure Framework of Armenia (MTEF)

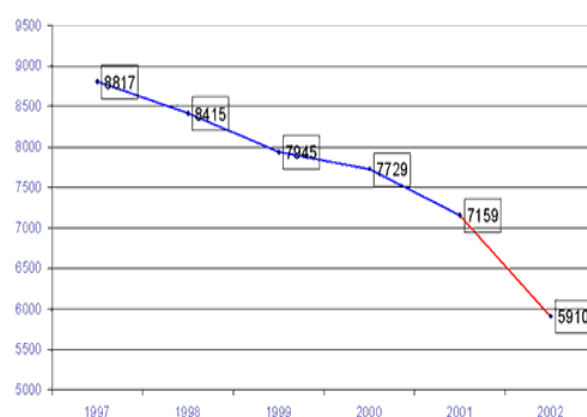
The MTEF brings more details in targeting future indicators. However it still doesn't give integrity among different actions as the case is with PRSP. One can count dozens of activities for the secondary education but few are represented in the form of programs with clear goals and measures in the MTEF. The main part of activities is a result from a collection of already passed Government decrees and some are just repetitions of the PRSP.

Both PRSP and MTEF are more about figures – especially around OECD average indicator – which are discussed below and less about people and empirical analyses. The normative essence of these documents may put them far

from reality and hence make the implementation phase harder.

### Problem Description

While much progress has been accomplished in education sector during recent years, the outcomes were not vivid until they extended all through Armenia. The overall education reform was carefully planned and many years were spent on designing and targeting that process. This is one of the sectors which claim to be the first in its range and amplitude of planning and actions. The poverty reduction strategy; the government activities and other papers point out the priority of the education sector - a sector which needs more attention for Armenia which lacks in natural and financial resources. Education is the first step in investing in human capital. And the current problem of human capital is in its structural inconsistency with the demand for market economy. As a result many employees received a "jobless" status and many others are still working in the sectors which are marked as ineffective. Privatization has freed the state authorities' burden to lay off employees from the companies. Market forces are now in charge of this less social function. Even if we take an example of a bigger company the situation is the same. The chart shown below is a change in the number of employees in the Armentel telecommunication company<sup>3</sup>.



If an organization is becoming capable to work with lesser human resources but keeps those resources unchanged then the efficiency decreases and the organization becomes less competitive. The secondary education is also

<sup>2</sup> Poverty Reduction Strategy Paper, August 8, 2003, Government of RA, Paragraph 7.2.2.2, Article 331

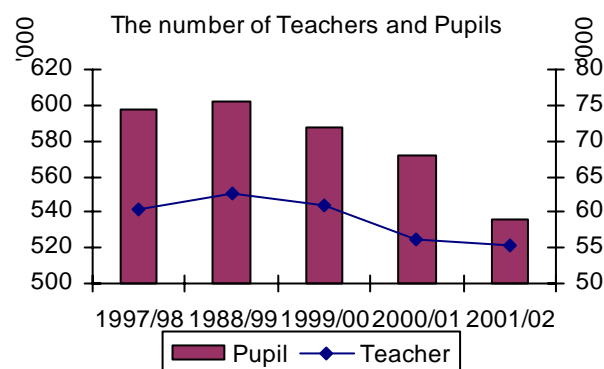
<sup>3</sup> <http://www.armentel.com/english/staff.htm>

an organization consisting of secondary schools, teachers, etc. And this organization has a mission of just and high quality education to Armenian citizens. However during last decade it also had a social function of income distribution.

### The roots

The rationalization looks like top-to-bottom reform when we go in logic of the education policy itself. The Poverty reduction strategy paper states that the decrease of expenses in the education sector resulted in the worsening of the quality of education<sup>4</sup>. And few OECD average de-facto indicators are currently approached aimed at reaching the reasonable levels of financing in the education sector. The most important indicator affecting the number of teachers employed in the education is a pupil/teacher ratio. The pupil/teacher ratio is revealed by the average class size and teachers teaching load. The rationalization hence took the form of enlarging the size of classes and matching the number of teachers to the number of teaching loads. And the unification of many schools also brought about rationalization of the non-teacher employees.

Yet the fact is that this process has its roots at the lower level - the number of teachers is not high in Armenia, but rather the number of pupils has dramatically changed during the last years.



Source: Statistical Yearbook of Armenia, 2002, NSS

The number of pupils dramatically decreased and the need to keep the salary of teacher in accordance with targeted amounts i.e. higher levels pulled many teachers out of the education sector. So the process is rather bottom-up and the task of adapting the education sector to the current needs forces each year to have fewer and fewer teachers involved in education process. The problem is decreasing number of pupils and their dispersion across geographic areas.

### The challenge is still ahead

The decrease of the number of pupils will become more obvious in the future and that's making the process more challenging. The pupil teacher ratio and pupil non-teacher ratio in 2002 were 11:1 and 18:1 respectively in Armenia<sup>5</sup> while an OECD average for 2001 was 15.45:1<sup>6</sup>. And it is ta

rgeted having pupil/teacher ratio of 16:1 in 2008. All other targets are shown below<sup>7</sup>:

<sup>4</sup> Poverty Reduction Strategy Paper, August 8, 2003, Government of RA, Paragraph 7.2.2.1, Article 328.

<sup>5</sup> Poverty Reduction Strategy Paper, August 8, 2003, Government of RA, Paragraph 7.2.2.1, Article 330.

<sup>6</sup> Education at A Glance: OECD Indicators, OECD, 2003, Table D2.2, page 330.

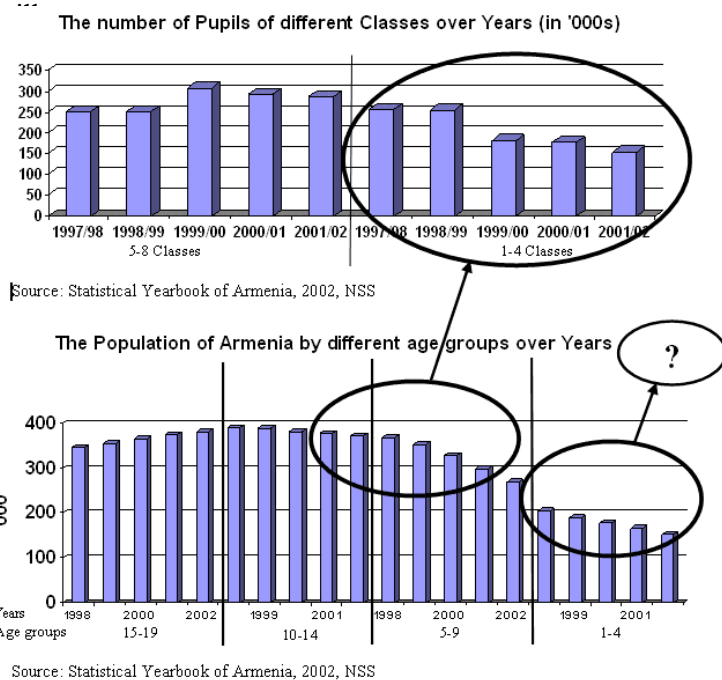
<sup>7</sup> Poverty Reduction Strategy Paper, August 8, 2003, Government of RA, Paragraph 7.2.2.5, Article 351.

## **Improvement of Public Policy Making Process in Armenia**

Indicator	Pupil / teacher ratio	Teaching loads	Pupil/non-teacher ratio
Nowadays	11	15/18*	18
Target	16	22 / max 27 hours	24
Date	2008	2005	2005

\* Calculations are made based on the Government Decree # 2047-N, 5 December 2002. 18 is a target aimed at in the aforementioned Government decree.

Even at the current levels of the number of pupils these targets will mean cutting of about 20 thousands workplaces until 2008 or 35 percent of the current number of teachers. However, if the aforementioned targets remain unchanged the number of teachers to be laid off from the system will be much more due to the expected decrease of the number of pupils. The next two charts clearly show dynamics of changes over years.



The circles between the charts show the reflection of population decline in the age groups in the number of pupils in the classes<sup>8</sup>. As it is seen at the right side of the chart 'the Population of Armenia by different age groups over years' there will be sharper expected decline in the number of pupils at schools for the coming years. And that will mean cutting about twice the number of teachers in Armenia in the next 5 years if targets remain unchanged.

<sup>8</sup> There are six columns selected from the Population of Armenia by different age groups over years chart due to the existing level of comprehension in the classes.

The problem # 2 – the harsher problem

The teachers' salary is one of the most concerns amongst the factors worsening the quality of education. Teachers are currently one of the poorest representatives of the Armenian population and the level of their salary is directly interlinked with the poverty reduction in Armenia.

**Policy Options**

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The current public policy in education is mainly based on the assumption that the higher level of financial resources in education will bring about better quality of education. There is no evidence or analyses showing correlation between the financing and the quality of education in Armenia. According to the analyses implemented by the Heritage Foundation the Washington DC being 3<sup>rd</sup> highest in education expenditures performed last in achievement levels while Montana being 25<sup>th</sup> out of 51 in expenditures performed 2<sup>nd</sup> highest in achievement<sup>9</sup>. OECD countries also demonstrate that “lower expenditure cannot automatically be equated with a lower quality of educational services. Austria, Finland, Ireland, Korea and the United Kingdom, for example, which have moderate expenditure on education per student at primary and lower secondary levels are among the OECD countries with the highest levels of performance by 15-year-old students in key subject areas<sup>10</sup>.” Indeed this doesn't mean that Armenian education sector is not needy of more money. Moreover, the financing of education in Armenia has to be adjusted to the discretionary level in accordance with the social-economic situation of Armenia. Currently the Armenia's public policy is almost in line with OECD average indicator of public sector proportion of funding on education expenditure without taking into consideration other policy measures. Armenia spends 12 percent of its public money on education while OECD countries on average

devoted 13 percent of their public expenditures in 2001<sup>11</sup>.

It has to be mentioned that OECD “average” is statistically not so much significant indicator due to the high level of variance among OECD countries' indicators. OECD countries spend between 6.5 (Greece) and 16.5 (Mexico) percent of total expenditure on primary, secondary and post-secondary non-tertiary education<sup>12</sup>. Many factors including the structure of state budget expenditures affect on the selecting appropriate indicator. Hence one of the options for directing more financial resources to the education sector is revising the structure of the Armenian State Budget.

However nowadays policy places the cost of increasing the level of the salaries mainly on the teachers who are becoming jobless after the rationalization process. From one side the social situation of teachers is being improved but from the other - the level of unemployed is becoming higher.

The difference between public and private sectors

Should we have more teachers involved with low level of salaries or fewer teachers with higher ones? The economics of labor force drove Armentel cutting the number of staff as it was presented above. And laid-off employees of Armentel were starting to adapt to the new realities of market economy: to find new jobs, or even to change the specialization.

Armentel is an example here. An example when market forces drove a private company to cut almost twice the number of its employees within 5 years. And Armenia currently faces the same in the education sector. The number of pupils has decreased and there are expectations of more declines within the coming 5 years. The benefit is higher salary and the cost is jobless teachers. Thus the assumption is that higher salaries will bring about higher quality of education. The current policy of rationalization took as a basis of this process the average pupil/teacher ratio. However though the OECD average of pupil/teacher ratio was 15.45 it doesn't mean that this indicator is optimal. Korea has an average 26.1 students per teacher, but the

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<sup>9</sup> School Choice 2003: How States are Providing Greater Opportunity in Education, by Krista Kafer, 2003.

<sup>10</sup> Education at A Glance: OECD Indicators, OECD, 2003, page 182.

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<sup>11</sup> Education at A Glance: OECD Indicators, OECD, 2003 & The Law on State Budget of Armenia, 2002

<sup>12</sup> Education at A Glance: OECD Indicators, OECD, 2003, page 224.

Denmark – 11.2 and both the Luxemburg and Italy – 10.5<sup>13</sup>.

“How many teachers walked off and made a business in commerce and how many people changed their specialization? There is nothing bad in there. A human being should be able to face all challenges. Why there was no big noise around closed big companies; weren't they specialists?”

Aida Topuzyan  
Deputy Minister of Education  
“Haykakan Jhamanak” Daily, 2/9/03

Thus Armenia is close to Denmark, Italy and Luxemburg in terms of pupil/teacher ratio. Figures speak themselves, and it will be preferable for Armenia to calculate and target pupil/teacher ratio based on Armenian real situation and for Armenia. Or, in case OECD countries average indicator will remain as target, it is preferable to calculate OECD pupil/teacher ratio which will be more statistically significant. Particularly, Japan, Korea, Mexico and Turkey have pupil/teacher higher average indicators compared with other OECD countries of more than 20 probably due to high number of population. An OECD average of pupil/teacher ratio becomes 14.2 for 2001 if we exclude aforementioned 4 countries from calculations<sup>14</sup> in contrast to Armenian target of 16 for 2008.

Education has a thousands years of history in Armenia. And one must understand culture when talking about education in Armenia except the process of serving public good to the citizens. Such social and human side of education process establishes links and relations among members of that family –

schools - which is a hindrance to labor market establishment in this sector. A teacher may choose lower salary in school rather than higher opportunities in the market. According to surveys about quarter of pedagogical students in non-State Universities and 15 percent in State-Universities have decided to become teachers based on family traditions<sup>15</sup>. Moreover the propensity to become an entrepreneur was the lowest among the pedagogical professionals in comparison with all others<sup>16</sup>. Hence the market values are least rooted in this very sector.

It is hard to take the single pupil/teacher ratio as a benchmark and a “market” driving force for the rationalization process. Nevertheless, the fact that the number of pupils is dramatically changing compels to adapt the secondary education sector. The task is rather on paying attention to the process of adaptation instead of facing it in a centralized way.

The minister of education – Sergey Yeritsyan - has announced that there will be about 11 more thousands teachers laid-off from the system in addition to the current 5000<sup>17</sup>. However this figure was later reduced to 3700<sup>18</sup>. It's not about the different number in different places. Is it a target or an outcome of the rationalization process? The overall logic of the education reform in the education sector is decentralization process. The Government decrees on Secondary education Rationalization<sup>19</sup> are not only of the centralized nature but also possess some attributes similar to the military dislocation process. From one side the Government responds to the current structural demographic changes in Armenia, but from the other side it is a result of mistrust towards schools' governing bodies. If the new model of school management is optimal and the school as an independent agent acts rationally then this process had to be going on automatically except the cases of competition among managements itself i.e. unification of schools. So it is time to draw a line between the responsibilities and rights of schools and the Government. Without such clear-cut distinction among functions the Government

<sup>13</sup> Education at A Glance: OECD Indicators, OECD, 2003, Table D2.2, page 330.

<sup>14</sup> Education at A Glance: OECD Indicators, OECD, 2003, Table D2.2, page 330.

<sup>15</sup> Education, Poverty and Economic activity in Armenia, UNDP, 2002, Figure 18, page 81.

<sup>16</sup> Education, Poverty and Economic activity in Armenia, UNDP, 2002, page 82.

<sup>17</sup> Arminfo, issue # 13, 19/09/2003, Arminfo News Agency.

<sup>18</sup> Aravot Daily, 4 October 2003.

<sup>19</sup> Government decree # 2047, 5/12/2002 and decree # 1236, 24/12/2001



will always respond to the demographic changes via directly interrupting schools activities. One of the policy options is developing new tools and instruments for the Government for intervening in the schools activities if there is a need.

### **Conclusions and Recommendations**

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Armenian public policy on education had made a big progress over the last several years. The policy aimed towards few OECD average indicators. Despite these indicators are important and act as a guide for Armenia's education policy they should be extended and detailed to fully encompass Armenian reality. As it was shown in some examples above the average statistics do not necessarily reflect the divergence between different countries and they may sometimes mislead the policy. The OECD uses 34 indicators to make international comparisons among its member states and to cover the reality as much as possible. Culture, demography, the size of population and many other factors have their impact on the education policy in each particular country. Armenia received a demographic shock and currently responds to it by cutting and planning to cut the number of employed teachers in Armenia. At the same time there is a huge reform towards decentralization of the secondary education system. If the decrease in population will continue at the same pace the secondary education will face bigger challenges during the next decade. Current statistics and analyses do not provide necessary information to design a strategy for the secondary education. Most actions possess reactive nature and some of them are simply shifting the burden thus not giving long term solutions. And the last 'shifted' burden was replacing 'inefficient' teachers from schools to unemployment. Education needs longer term strategies with even possible scenarios. The average age of teachers is 55<sup>20</sup>. This is a very high figure and in perspective it may mean the opposite of what's going on now. That is lack of teachers. There is a need to more elaborate such scenario.

The current level of existing policy in this sector has a full potential to 'jump' to the new

level of policy making process. However such 'change' requires new strategies and development of a new form of interaction among policy makers and implementers.

In case the policy of rationalization remains unchanged during the next five years there will be many more laid-off teachers. There is a need of public understanding and smooth rationalization process within the next year thus guarantying next stages of the process. This change needs to be anchored in the society, otherwise the resistance and hence the cost of reforms in secondary education will be higher.

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<sup>20</sup> Poverty Reduction Strategy Paper, August 8, 2003, Government of RA, endnote # 116